

Business-type Activities Lottery	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets being depreciated				
Vehicles and equipment	\$ 1,855		\$ (460)	\$ 1,395
Total capital assets being depreciated	1,855		(460)	1,395
Less accumulated depreciation for:				
Vehicles and equipment	(1,191)	\$ (181)	362	(1,010)
Total accumulated depreciation	(1,191)	(181)	362	(1,010)
Total capital assets, being depreciated, net	664	(181)	(98)	385
Business-type activity capital assets, net	\$ 664	\$ (181)	\$ (98)	\$ 385

Depreciation expense was charged to the following primary government functions as follows:

(Expressed in Thousands)

Governmental Activities:	
General Governments	\$ 6,474
Health and Children's Services	1,189
Judicial and Public safety	10,476
Natural Resources and Environmental Control	2,058
Labor	79
Education	18,030
Total Depreciation Expense - Governmental Activities	<u>\$ 38,306</u>
Business-type Activities:	
Transportation	\$ 16,412
Lottery	181
Total Depreciation Expense- Business-type Activities	<u>\$ 16,593</u>

NOTE 13. RISK MANAGEMENT

The State is exposed to various risks of losses related to workers' compensation, employee health-care and accident, automobile accident, police professional malpractice and property and casualty claims. It is the policy of the State not to purchase commercial insurance to cover these risks. Instead, State management believes it is more economical to manage its risk internally and thus, covers all claim settlements and judgments out of its General Fund. The State continues to carry commercial insurance for all other risks of loss, including general liability and the remainder of the property and casualty liability. There have been no significant reductions in insurance coverage from prior years. In the past three years of insured coverage, settled claims have not exceeded commercial coverage.

Claim liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for

claims that have been incurred but not reported. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines and damage awards, the process does not result in an exact amount. Claim liabilities are reevaluated annually to take into consideration recently settled claims, the frequency of claims and other economic and social factors.

The Management of the State estimates that the amount of actual or potential claims against the State as of June 30, 2003, for workers' compensation, automobile accident and health-care claim liabilities is \$113.5 million. The claim liabilities relating to health-care totaling \$49.2 million have been recorded as current liabilities. The liability for workers' compensation and automobile accident liabilities of \$64.3 million have been recorded as long-term obligations. Other claim liabilities relating to police professional malpractice and property and casualty were not recorded at June 30, 2003 as the total of these liabilities were not material to the financial statements. Changes in the balances of claim liabilities during fiscal years 2002 and 2003 were as follows:

(Expressed in Thousands)

Fiscal Year	Beginning Balance July 1	Current Year Claims and Changes in Estimates	Actual Claim Payments	Ending Balance June 30
2002	\$ 95,194	\$ 384,570	\$ (382,350)	\$ 97,414
2003	\$ 97,414	\$ 429,108	\$ (413,064)	\$ 113,458

NOTE 14. PENSIONS

PRIMARY GOVERNMENT

State of Delaware Pension Plans

The State Board of Pension Trustees administers the following defined benefit plans of the Delaware Public Employees' Retirement System (DPERS):

- *State Employees' Pension Plan;
- *Special Pension Plan;
- *New State Police Pension Plan;
- *Judiciary Pension Plans (Closed and Revised);
- *County and Municipal Police/Firemen's Pension Plans (FICA and Non-FICA);
- *County and Municipal Other Employees' Pension Plan;